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SIPDIS

DEPARTMENT FOR SCA/INS

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ENRG, TRGY, PTER, PK, IN

SUBJECT: INDIA SCENESETTER FOR THE DEPUTY SECRETARY

Classified By: Ambassador Mulford for Reasons 1.4 (B, D)

Indo-Pak Relations and Your Visit

1. (C) India is grappling with its worst crisis of political confidence in recent memory. The Mumbai terrorist attacks deeply demoralized and angered the Indian public. Indians have directed their fury at the political establishment, which they feel failed to protect them and responded in a haphazard way to the crisis. The public's anger has put the Congress Party-led government of Prime Minister Manmohan Singh under growing political pressure to demand the GOP take real action against Lashkar-e-Tayyba (LeT) and other terrorist groups. The GOI now sees Pakistan's terrorist infrastructure as a clear and present danger. Unless the GOP seriously begins to dismantle it, the pressure on GOI will build to a point where India will feel compelled to act unilaterally.

2. (C) Pakistan's recent raids, detentions and house arrests are viewed by a skeptical Indian government as wholly inadequate. The Indians believe Pakistan is replaying its 2001 maneuver after the attack on the Indian parliament, when the usual suspects were rounded up and then released three months later. The GOI understands that rendition of the "20 Most Wanted" is probably unrealistic at this point but it needs to see some concrete Pakistani action against the LeT, its leaders and its camps. The GOI also understands that the civilian government of Pakistan wants to be forward leaning but is limited in what it can deliver. Nevertheless, the expectation is that Pakistan must demonstrate good faith if the two sides are to step away from the brink. This would require that Pakistan respond in a productive fashion to the India and not just be seen as reacting to U.S. demands. In this light, Pakistan's December 9 comments in the Security Council invoking Kashmir are seen as a diversion that only fuels the GOI's belief that Pakistan's efforts are not credible. In India, nothing would inspire more confidence about the Pakistani government's intentions than the extradition of even a few of the terrorists on India's wanted list.

¶3. (C) While the GOI may at some level accept the Pakistani civilian leadership's professions of good faith, they hold few illusions about the Pakistani military. The GOI is skeptical that the military leadership is willing to respond to the call for action against the LeT and the 20 terrorist on the list. Indian officials are dismissive of Pakistan's offers of a joint investigation, which they see as a stalling tactic. While GOI has not ruled out receiving a GOP delegation led by Foreign Minister Quereshi or National Security Advisor Durrani, they believe that unless ISI Chief Ahmad Pasha leads the delegation, it would accomplish little. Adding to the pressure, India is entering a political season with national elections due by April 2009. While the Secretary's December 3 visit succeeded in creating some breathing room for GOI, it won't be able to bear the pressure indefinitely.

¶4. (C) In this environment, your visit presents a unique opportunity to build on the Secretary's visit, which demonstrated as nothing else could to GOI and the Indian people that the U.S. stands with them in this time of crisis and considers India a strategic priority. Too often in the past India has felt alone as other countries have dismissed terrorism against it as "Kashmir violence" and, therefore, somehow acceptable. The Secretary's visit also strengthened the hand of those in the government who are arguing for restraint because they recognize that precipitous actions can have unintended consequences.

¶5. (C) While the U.S. does not want to be seen as a mediator
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between India and Pakistan, GOI officials will be most interested in a readout of your meetings in Pakistan. The Indian public holds high expectations about what the U.S. can deliver following the Secretary's visit. But with these high expectations come the incumbent risks to the bilateral relationship if the U.S. is perceived as not having delivered.

Increased Law Enforcement Cooperation -----

¶6. (C) The most constructive approach to take at this time is to offer assistance and to encourage the GOI to focus on improving security preparedness and prevention of terrorist attacks. This is what the public wants and believes has not been a priority for the political class generally. Pakistan's terrorist infrastructure is perceived as a permanent threat. India must address internal security on a comprehensive basis and we can help. We have already seen unprecedented law enforcement cooperation between India and the U.S., primarily with the FBI. Historically, the GOI had been a reluctant law enforcement partner. But after Mumbai, it dropped its resistance and there are currently FBI teams in Mumbai providing investigatory assistance. Significantly, the high level of cooperation has included FBI access to the sole living terrorist. The Indians have also become far more amenable to accepting our many offers of counterterrorism assistance. The Mumbai attacks appear to have finally made GOI realize that no country can combat terrorism alone and that countries need to cooperate with one another in the international war on terrorism.

Domestic Political Fallout -----

¶7. (C) While the country's mood has been dark, there have been some bright spots. Even as the sixty-hour siege unfolded live on television, the country's democratic institutions continued working uninterrupted. State assembly elections were held in three states during the attack and election results for a total of five state assembly elections were announced on December 8. State elections in a sixth state - Jammu and Kashmir - are ongoing. Polling has been free of violence and has seen high turnouts, a clear sign

that voters have rejected separatists' boycott demands. In the five states that were decided, the Congress Party exceeded expectations and won three of five, contrary to conventional wisdom which held that the ruling party in Delhi would pay at the polls. The Congress Party's performance has strengthened the argument of those who believe the Mumbai-related wrath of the Indian public is directed at the entire political establishment and does not yet distinguish between different parties. The election results also demonstrate that in India, especially in state and local elections, local issues matter most and national issues such as terrorism have difficulty finding traction.

¶8. (C) The Congress Party-led GOI also welcomed the recent state elections results because they pushed the Mumbai terrorist attacks off the front pages. The GOI will now brace for a fierce onslaught by opposition parties in Parliament, which reconvened on December 10 after a six-week recess. Assuming the GOI survives this session, it faces national elections in April-May 2009. The mixed results of the state elections make it difficult to discern any broad national electoral trends. The next national election, therefore, will not be one election but 34 different elections, with each of India's states having its own unique basket of issues and its own assortment of political regional parties and players.

Civil Nuclear Cooperation

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¶9. (SBU) The U.S.-India Civil Nuclear Cooperation Agreement was approved by a large bipartisan majority in the House and Senate in September, signed by Secretary Rice and External Affairs Minister Mukherjee in Washington October 10, and brought into force by an exchange of diplomatic notes on December 6. The Agreement has been the centerpiece of efforts to strengthen our bilateral relations since the July 2005 Joint Statement by the President and Prime Minister Singh. India viewed the signing of the 123 Agreement as an historic event and shares our vision of the Agreement as an essential part of transforming our relationship. The Mumbai terror attacks have displaced the Civil Nuclear Agreement from the headlines, but the goodwill it generated provides a firmer foundation for improved counter-terrorism cooperation and a more credible good offices role vis a vis Pakistan in the eyes of the Indians.

¶10. (SBU) The Civil Nuclear Agreement has been a lightning rod for opponents of Prime Minister Singh's government, but the critics have not been rewarded at the polls in recent state elections. Concerns about the reliability of U.S. fuel supply assurances and limits on technology transfers could complicate or delay commercial prospects for U.S. firms in the civil nuclear sector, dominated by the Department of Atomic Energy (DAE) and the state monopoly Nuclear Power Corporation of India Limited (NPCIL). The Indian Government signed bilateral agreements for civil nuclear cooperation with France on September 30 and with Russia on December 5. India cannot act on any of these agreements until it signs its IAEA Safeguards Agreement, which may take place before the end of the year. U.S. and other private firms also require nuclear liability protection to do business in India in the form of the Convention on Supplementary Compensation for Nuclear Damage (CSC), which awaits Cabinet approval prior to passage by the Parliament.

Regional Issues

¶11. (C) Under Prime Minister Singh's leadership, GOI is emerging as a responsible leader in the region, as well as in Asia at large. India encourages democracy in the region, but is worried by continuing political instability in both Nepal and Bangladesh and by the surge in violence in Sri Lanka. We

have followed closely as India and China have sought warmer relations by engaging in a strategic dialogue that separates the contentious border issues from a broader engagement. Their bilateral trade has been growing at about 40 percent annually, but India's large trade deficit with China has led to worries among Indian businesses. India has been a significant contributor to Afghanistan's reconstruction (their \$1.2 billion in pledges places them fifth among donors) and numerous Indian officials have expressed their deep desire for the United States to remain engaged in Afghanistan until democracy has taken a solid foothold. We still diverge with India over tactics towards Iran and Burma, although we ostensibly share the same goals. President Medvedev, on December 5, was the latest in a constant stream of world leaders to visit Delhi, reaffirming solid Indo-Russian ties and affirming solidarity in the wake of the Mumbai terror attacks.

Your Meetings

¶12. (U) You have confirmed meetings with External Affairs Minister Pranab Mukherjee, National Security Advisor M.K. Narayanan and Foreign Secretary Shiv Shankar Menon. Home Minister P. Chidambaram had to decline your request because he has been the primary representative of the government defending its conduct over the attacks in the Parliamentary debate that began this week. The meeting request with Prime

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Minister Singh is pending.
MULFORD